

ASSEMBLY BILL

No. 2492

Introduced by Assembly Member Ammiano

February 19, 2010

An act relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2492, as introduced, Ammiano. Property taxation: change in ownership.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. Existing property tax law specifies those circumstances in which the transfer of ownership interests in a corporation, partnership, limited liability company, or other legal entity results in a change in ownership of the real property owned by that entity, and generally provides that a change in ownership as so described occurs when a legal entity or other person obtains a controlling or majority ownership interest in the legal entity.

This bill would, pursuant to legislative findings and declarations, state the intent of the Legislature to enact a program to specify those circumstances under which nonresidential commercial and industrial property undergoes a change in ownership, to ensure that all real property is assessed at fair market value when that real property undergoes a change in ownership.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) For ad valorem property taxation purposes, the California
4 Constitution generally limits annual increases in the assessed
5 taxable value of real property to 2 percent of the property's adjusted
6 base year value, but requires that real property be reassessed at its
7 full cash value when that real property undergoes a change in
8 ownership.

9 (b) These rules provide a necessary protection for real property
10 owners when land values rise more rapidly than income.

11 (c) Because of difficulties in identifying changes in ownership
12 of certain nonresidential commercial and industrial properties,
13 these properties often escape reassessment at full market value
14 upon a change in ownership.

15 (d) As a result of these assessment anomalies, despite rapid
16 economic growth during the 1990s which increased the value of
17 nonresidential commercial and industrial properties, the share of
18 real property taxes paid by nonresidential commercial and industrial
19 property owners decreased, while the share of real property taxes
20 paid by residential property owners (e.g. homeowners) increased.

21 (e) Failure to capture the rising land values of nonresidential
22 commercial and industrial properties that have undergone a change
23 in ownership has a range of negative consequences, including, but
24 not limited to:

25 (1) Hampering the ability of local governments to build new
26 infrastructure and provide vital services.

27 (2) Imposing a disproportionate property tax burden on newly
28 constructed properties when compared to existing properties.

29 (3) Encouraging local governments to foster sales tax-generating
30 retail development rather than fostering job-creating investments
31 such as manufacturing.

32 (f) Therefore, it is the intent of the Legislature to enact a
33 program to specify those circumstances under which nonresidential
34 commercial and industrial property undergoes a change in
35 ownership, to ensure that all real property is assessed at fair market
36 value when that real property undergoes a change in ownership.

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